MONTANA LEGISLATIVE HISTORY

Chapter 8 19 Special Session June 1989

Bill H 4 S _____ Original bill & history ____C

H. Committee on Taxation			S. Committee on Taxation		
Hearing Date(s)	June 21	✓C	Hearing Date(s)	July 06	✓C
	June 26	✓C		_____	____C
	_____	____C		_____	____C
	_____	____C		_____	____C
Date Out	June 26	✓C		July 06	✓C

Did this bill originate in an interim committee? ____Yes ____No

Committee _____ Report _____

HB 1 INTRODUCED BY COBB
REVISE SCHOOL FUNDING; REPEAL ELEMENTARY AND HIGH SCHOOL PERMISSIVE LEVIES FOR COUNTY EQUALIZATION OF THE SCHOOL FOUNDATION PROGRAM

6/15 INTRODUCED
6/16 FISCAL NOTE REQUESTED
6/19 REFERRED TO EDUCATION & CULTURAL RESOURCES
6/20 HEARING
DIED IN COMMITTEE

HB 2 INTRODUCED BY SCHYE
IMPOSE AN ALTERNATIVE MINIMUM TAX ON MONTANA INDIVIDUAL INCOME

6/15 INTRODUCED
6/16 FISCAL NOTE REQUESTED
6/19 REFERRED TO TAXATION
6/20 HEARING
6/21 FISCAL NOTE RECEIVED
DIED IN COMMITTEE

HB 3 INTRODUCED BY BOHARSKI
DEFINE BASIC SYSTEM OF FREE QUALITY PUBLIC ELEMENTARY AND SECONDARY SCHOOLS

6/15 INTRODUCED
6/19 REFERRED TO EDUCATION & CULTURAL RESOURCES
6/20 HEARING
DIED IN COMMITTEE

HB 4 INTRODUCED BY WALLIN
REQUIRE ASSESSMENT OF A MOTOR VEHICLE FOR TAX PURPOSES TO INCLUDE A PERTINENT ADDITION OR DEDUCTION FOR A DIESEL ENGINE

6/15 INTRODUCED
6/16 FISCAL NOTE REQUESTED
6/19 REFERRED TO TAXATION
6/21 HEARING
6/21 FISCAL NOTE RECEIVED
6/26 FISCAL NOTE PRINTED
6/26 COMMITTEE REPORT--BILL PASSED
6/28 2ND READING PASSED AS AMENDED 84 11
6/29 3RD READING PASSED 89 6

TRANSMITTED TO SENATE
6/29 REFERRED TO TAXATION
7/06 HEARING
7/06 COMMITTEE REPORT--BILL CONCURRED
7/07 2ND READING CONCURRED 26 23
7/07 3RD READING CONCURRED 27 22

RETURNED TO HOUSE
7/12 SIGNED BY SPEAKER
7/12 SIGNED BY PRESIDENT
7/13 TRANSMITTED TO GOVERNOR
7/14 SIGNED BY GOVERNOR
CHAPTER NUMBER 8 EFFECTIVE DATE: 01/01/90

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - 1st SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Dan Harrington, on June 21, 1989, at 8:30 a.m.

ROLL CALL

Members Present: All members were present.

Members Excused: None

Members Absent: None

Staff Present: Lee Heiman, Legislative Council
Donna Grace, Committee Secretary

Announcements/Discussion: None.

HEARING ON HOUSE BILL 4

A BILL FOR AN ACT ENTITLED: 'AN ACT REQUIRING ASSESSMENT OF A MOTOR VEHICLE FOR TAX PURPOSES TO INCLUDE A PERTINENT ADDITION OR DEDUCTION FOR A DIESEL ENGINE; AND AMENDING SECTION 61-3-503, MCA."

Presentation and Opening Statement by Sponsor:

Representative Norm Wallin testified in favor of the bill he was introducing. What the bill addresses is an inequity in the charging of taxes on certain vehicles when people buy their cars equipped with a diesel engine. When he was home during the regular session a man came to him and said he had bought a used oldsmobile equipped with a diesel engine and when he went to have it assessed, the assessed valuation was twice what he had paid for the car. He looked into it and found that there was a credit that should have been applied against the car in the charge of the tax on that particular vehicle. He went to the tax appeal board and they said they couldn't do anything because the law is very explicit and the figures could not be changed. This was part of a law passed in 1987. What HB 4 does is to have the assessors in putting the assessed valuation on these vehicles would give credit which the law does not allow them to do but they could under this new law. Mr. Wallin presented some examples taken from the "Blue Book" which gives the trade in value of cars which is used by dealers in determining price. He said that people who own these cars are actually stuck with them because no one wants them and, in addition, they are also stuck with paying almost double tax on them.

Testifying Proponents and Who They Represent:

Steve Turkiewitz, Montana Auto Dealers Association
A. Aafedt, Representative, Great Falls

Proponent Testimony:

Mr. Turkiewitz, Executive Vice President of the MADA, concurred with Representative Wallin's testimony regarding the problem. He said the question is, when a car is taxed, is it taxed on its taxable value which it states in the law, which is to be the "Blue Book" trade in value, or the used car guide says the tradein value of certain models of diesel cars is between 35% and 45% less if it has a diesel engine. He asked for the committee's concurrence on the bill.

Representative Aafedt, from Great Falls, District #34, said there are many items that aren't considered in the NADA book as far as value, condition, mileage, equipment, etc. This averages out and is alright in the overall situation. However, this one area where diesel engines are concerned where there is such a tremendous difference between having a car with one and having one without, nearly half of the value can be depreciated instantly and this should be taken into consideration.

Testifying Opponents and Who They Represent:

There were no opponents.

Opponent Testimony:

None.

Questions From Committee Members:

Representative Driscoll asked if the title or registration of these particular cars clearly shows that these cars have diesel engines. Representative Wallin said that this was the problem. He discussed this matter with Dr. Nordtvedt and he thought he could take care of this by an order to the assessors; however, he saw he couldn't do that because the law specifies that the one figure in the book has to be followed. He also thought it would be possible to tell by the serial number and there is no way to tell that he was aware of.

Closing by Sponsor:

Representative Wallin said he had discussed the problem and could demonstrate it in the book. It amounts to enough dollars for the car owners that they should have this consideration.

DAILY ROLL CALL

Taxation COMMITTEE

DATE June 21

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Chairman	✓		
Keane, V. Chairman	✓		
Choken	✓		
Driscoll	✓		
Elliott	✓		
Ellison	✓		
Gialonello	✓		
Gilbert	✓		
Good	✓		
Grady	✓		
Henson	✓		
Hoffman	✓		
Kadas	✓		
Koehnke	✓		
O'Keefe	✓		
Patterson	✓		
Raney	✓		
Rehberg	✓		
Schyd		✓	
Strang	✓		
Stickney	✓		
Swoope	✓		

Form CS-30A
Rev. 1985

asked how many taxes they had collected from Pierce Packing and was told they were trying to sell Pierce Packing. He asked why and was told they said the property taxes were too high, and that is why the commissioners now own the property. He said he realized this is a piecemeal tax reform, but he was trying to get the people to realize how far out of line the property taxes are.

DISPOSITION OF HOUSE BILL 4

Motion: Motion was made that House Bill 4 do pass.

Discussion: Chairman Harrington said the problem brought out in the committee was how does the county assessor tell what these cars are? He was told honesty. Senator Hofman said there aren't enough people nor enough money involved in this to make that much difference if a few people would want to cheat on it. He said the idea of the bill is to correct something that is wrong in the appraisal process.

Chairman Harrington said Lee Heiman had handed him a sheet that was part of the registration slip. It has gas #1, Diesel #2, LPG #3 and then it is marked as to which the car actually is.

Rep. Giacometto said he would speak in favor of the bill because it is a matter of equity. Since this is on the registration it shows a way to prove it is a diesel engine, and if it is a diesel engine then the committee should give it a fair review.

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion CARRIED unanimously to DO PASS.

DISPOSITION OF HOUSE BILL 42

Motion: Motion by Representative Giacometto that House Bill 42 do pass.

Discussion: Representative Giacometto said if he remembered from the testimony this would make sure that no matter what happens in this session the schools will be able to open and operate. He said the numbers can be jacked up or down in all the bills, but they should make sure that after this is over the schools will be able to open.

Representative Rehberg said he would assumed that if this bill and if one of the bills on education should pass that would add money to this that would take precedence over this since this is the Governor's base.

Representative Harrington said this is the Governor's base, but it is at a zero/zero and this is what you are voting for in

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

DATE: June 26, 1989

NAME	PRESENT	ABSENT	EXCUSED
Dan Harrington. Chairman	✓		
Bob Ream, V. Chairman	✓		
Ben Cohen	✓		
Jerry Driscoll	✓		
Jim Elliott	✓		
Orval Ellison	✓		
Leo Giacometto	✓		
Bob Gilbert	✓		
Susan Good	✓		
Ed Grady	✓		
Marian Hanson	✓		
Robert Hoffman	✓		
Mike Kadas	✓		
Francis Koehnke	✓		
Mark O'Keefe	✓		
John Patterson	✓		
Bob Raney	✓		
Dennis Rehberg	✓		
Ted Schye	✓		
Barry Stang	✓		
Jessica Stickney	✓		
Chuck Swysgood	✓		

Form CS-30A, Rev. 1985

STANDING COMMITTEE REPORT

"An Act Setting an Addition or Deduction
for Tax Purposes on a Diesel-Powered Vehicle"

June 26, 1989

Mr. Speaker: We, the committee on Taxation report that HOUSE BILL 4 (first reading copy -- white), do pass .

Signed: _____
Dan Harrington, Chairman

07144SC.HRV

again pay taxes on anything. He noted that is akin to the federal law, that he said that in the early hearing, and has not problem with that. He indicated that, when they start giving wages that are greater than the average person makes in Montana, they are skirting on the edge of some danger.

Representative Swift then stated that he certainly does not want to leave this hearing with anyone feeling that he, as the sponsor of this piece of legislation, has any derogatory feeling toward public employees, that he has been a government employee for thirty some years, and he values those people because they do a great job, adding that he hopes they can get this thing on an even keel, and do something now to avoid that dire impact that he sees coming out of the court, because it is coming at them. He noted they do not really need to address the privates, but he thinks if they can not address the privates, as he proposes in this piece of legislation, they should kill it, because he wants them all to be treated the same.

Vice-Chairman Hager announced the hearing on HB5 as closed.

HEARING ON HB 4

Presentation and Opening Statement by Sponsor:

Representative Norm Wallin indicated that this bill is trying to straighten out something that is, in its present form, inequitable, and that the need for this legislation is to make it equitable for people who own passenger vehicles and trucks equipped with diesel engines. He explained that an individual came to him, during the last few days of the regular session, who had bought a used old Tornado for $3,000 and that, when he went to get it licensed, it was assessed at $6,000, and he obviously could see there was something very wrong. Representative Wallin reported that the individual then went to the Treasurer, who said there was nothing he could do about it, that the Assessor's office was right, that the laws are very specific, and that he had to pay on the value of the car as printed in this book (he displayed a copy of the NADA book). Representative Wallin added that the individual then went to the tax appeal board, found that they were not meeting at that particular time, so called him to see what he could do.

Representative Wallin indicated he took the matter up with Mr. Nordtvedt, who said he knew the problem and thought he could straighten it out with a directive, but Mr. Nordtvedt came back to him indicating that the law is specific, and he could not do it by directive, that it would have to be done by a

law, which is why he brings this matter, in this form, to the committee this morning.

He reported that, during the gasoline crunch in the early 80's, they came out with vehicles equipped with diesel engines. He indicated the diesel engines General Motors built were conversions of gasoline engines, and they did not pan out, that there is no market for them.

Representative Wallin pointed out that they are being assessed on value that is not there. He again referred to the book, and indicated that the fine print under the dollar figure states that vehicles with diesel engines should be allowed a percentage deduction, noting that percentage can run from 35% to 45%, and they are, basically, paying for actual value of those vehicles. He noted that some credit is given for pick-up trucks equipped with diesel engines, but it does not compare with the deductions cars equipped with diesel engines should have, that he thinks the highest increase in value on a pick-up truck was $800, which was a very late model vehicle.

Representative Wallin then recited some figures from the book, noting that he hopes to make his point so that, perhaps, they can get this through. He reported that a 1984 Chevrolet Caprice is assessed on the basis of $4,650, but the fine print indicates that, if it is equipped with a diesel engine, it should be allowed a credit of 40%, so they are paying on $1,806 more than the value of the vehicle. He then indicated that, on a 1983 Oldsmobile 88 assessed at $3,700, they are paying on $2,035 too much; a 1985 Cadillac El Dorado is assessed at $15,500 but there should be a 35% reduction, and they are paying on $5,425 too much; on a 1984 Buick Regal 4-door, it is assessed at $4,125, but it should be 40% less, and they are paying on $1,650 too much; a 1985 Pontiac 5000 is assessed at $5,226, but the book says it should be 40% less, and they are paying on $2,091 too much. He added that it is much different on a Volkswagen car, but they are still paying on $500 more than the value of the car. He stated that, for those people who are affected, it is really as inequitable as it can be.

Representative Wallin then referred to the fiscal note, and indicated there is a little fiscal impact, that, in fiscal year 1990, there is a loss of $138,421. He pointed out that, if they divide that figure by 56 counties, on the average, each county will probably be receiving about $2,742 less on vehicles in 1991 but that, because these are older model vehicles, there will be fewer of them on the road and the impact could be even less.

Representative Wallin stated that, in all fairness, this is a problem which needs to be adjusted, and he would appreciate

it if the committee would give this bill a do pass recommendation.

List of Testifying Proponents and What Group they Represent:

Dennis Burr, Montana Taxpayers Association

Testimony:

Mr. Burr reported that, when this issue first came up, they got a lot of calls from people who owned diesels, noting that they have not had very many recently, but that the problem is still there. He indicated that, when the legislature adopted the current system of valuing vehicles, the law said they do not count add-ons such as air conditioning and power steering in valuing vehicles, and that, likewise, they do not deduct for high mileage, that it is just the process of streamlining the system for the county assessors.

Mr. Burr then stated that his personal opinion is that this is something which should have been handled, administratively, several years ago, that the question is simply whether a diesel engine is an add-on or not, but he guesses the Department of Revenue has determined that it is. He added that he thinks they would logically say it is not an add-on, that it is an integral part of the car, and they should have been making this deduction for diesel engines all along but that, apparently, it will take legislation to straighten that out, as it does occasionally in these areas. He indicated that people are, obviously, paying on a higher value than the vehicle is worth, and this is just recognizing that the diesel engine is not an add-on like air conditioning or power steering, that it is something which materially affects the resale value of the vehicle. He further stated that they support this bill.

List of Testifying Opponents and What Group They Represent:

None

Questions From Committee Members:

Q. Senator Halligan asked Representative Wallin what happens if he has a 1989 Mercedes with a diesel engine, noting he has never heard of any problems with those. He indicated that, obviously, it is worth a tremendous amount of money and is not like the Oldsmobile, and further asked if he is going to pay a lot less, at all.

A. Representative Wallin and Mr. Burr both responded, indicating that the newer engines are diesel blocks, not like with the gasoline conversions, and it is not an add-on. They further indicated they are not listed with a reduction because they are valuable cars, and will not be affected, at all. Representative Wallin pointed out that, in this particular instance, it is obviously a great difference in value, that they are paying over and above what they should be paying

Q. Senator Halligan asked Representative Wallin if the change would affect them both.

A. Representative Wallin responded no, and pointed out that he quoted the value of a 1985 El Dorado which booked at $15,500 equipped with a gasoline engine, but there is a 35% deduction, and they are paying for $5,425 value that is not typical value.

Q. Senator Halligan indicated he does not understand why it would not affect it and asked if, two years from now, when this bill takes effect and the new book is printed, will the book have any reference to this law, at all, noting that is a national book that is put out.

A. Representative Wallin responded it is the national book. He indicated he would guess that is standard equipment, and that, in the book on GM cars, in the fine print, it says deduct 35% or 45%, depending.

Q. Senator Halligan asked if that is 45% for diesel engines.

A. Representative Wallin indicated that is the inequitable part of it.

Q. Senator Severson asked Representative Wallin, whether the book calls for a deduction or not, it is an older car, and is he saying that is the way it should be taxed.

A. Representative Wallin responded that is the way it should be taxed.

Q. Senator Severson then asked if, on some of the older diesels, it would call for a deduction but, on some of the newer diesel engines such as a 1988 Ford pick-up truck, it would not call for a deduction.

A. Representative Wallin responded they are paying about $16 more.

Q. Senator Severson indicated that Representative Wallin is saying use the book, and what the value is, whether it is a deduction or an addition.

A. Representative Wallin responded that is right, to be fair.

Q. Vice Chairman Hager indicated that the bill contains a delayed effective date.

A. Representative Wallin responded he was asked to do that because Mr. Michelotti from Great Falls asked that it be made effective in January so that they could change the software which applies to the state-wide county treasurers. He added that, if they had put this through this year, they would have had to go through that book for every county, make new software.

Q. Vice Chairman Hager indicated that Mr. Burr mentioned he felt this is something which should have been done administratively and asked, since he has had quite a bit of experience along the lines of helping to write tax law, if, the way they are changing it, can it now be done administratively, if they pass this bill.

A. Mr. Burr responded that, if they pass the bill, it will have to be done, adding that he personally believes Revenue probably had the authority to do it, anyway, just under the fact that they try to assess property at its current market value, and it is obviously not right on those particular vehicles. He indicated that, if they are not going to do it administratively, it will require the bill to get that change done.

Q. Vice Chairman Hager asked if, then, theoretically, they could come back here and try to do the same thing in 1991 on air conditioners, or something like that.

A. Mr. Burr responded that he supposes so.

Closing by Sponsor:

Representative Wallin indicated he realizes that, when Representative Swift brought this in, he did not think that there was that much difference, noting that is the reason he is trying to correct the thing on the diesel engines. He further indicated he is sure there are low-mileage cars, high-mileage cars, air conditioned cars, and those with power steering, that there are very many different options which reflect on the value but that, individually, they are very small but,

with the diesel engine, they are looking at a lot of extra dollars they are paying that they should not have to pay.

DISPOSITION OF HB 4

Discussion:

Senator Severson offered a motion that HB4 be concurred in.

Recommendation and Vote:

Motion passed by the committee that HB4 be concurred in, with Senator Mazurek opposed.

Discussion:

Vice Chairman Hager announced that the committee will not act on HB5 at this time but indicated that, if the committee members are thinking about amendments, he thinks they should act on it soon and he will suggest to the Chairman that the committee meet after this afternoon's session to act on it.

Senator Eck stated that she would, when the committee meets again, move the Nordtvedt amendments, and would ask Mr. Martin to look at them to see if they fit, and also, if they are trying to limit the fiscal impact, to look at the possibility of limiting the interest exemption to persons who do not have the other exemption, noting that she thinks that might save $1 million.

ADJOURNMENT

Adjournment At: 9:40 a.m.

BOB BROWN, Chairman

BB/mhu
HB5.076

ROLL CALL

COMMITTEE ON TAXATION
51ST LEGISLATIVE SPECIAL SESSION

DATE: July 6, 1989

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	✓		
SENATOR BISHOP	✓		
SENATOR CRIPPEN	✓		
SENATOR ECK	✓		
SENATOR GAGE	✓		
SENATOR HAGER	✓		
SENATOR HALLIGAN	✓		
SENATOR HARP			✓
SENATOR MAZUREK	✓		
SENATOR NORMAN	✓		
SENATOR SEVERSON	✓		
SENATOR WALKER	✓		

DATE: July 6, 1989

COMMITTEE ON: Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Loyd C. Lamb Jr.	E.T.	H.B. 5	X	
Levy Berry	AMRPE	H.B. 5		X
Alex Johnson	Retired Teachers	H.B. 5		X
Richard Ewalson	AMRPE	H.B. 5		X
Edward Jay Johnson	"	"		X
Joe Marriott	E.T.	H.B. 5	X	
Gene Huntington	Retired teachers	H.B. 5		X
Owen Wagner	AARP.	H.B. 5		X
Ed Shelby	NARPE	H.B. 5		X
Terry Minow	MFT/MFSE	H.B. 5		X
Judy Carlson	E.T.	H.B. 5	X	
Mary Craig	ET	H.B. 5	X	
Eric Feaver	MEA	H.B. 5		A
Tom Schneider	MPEA	H.B. 5		X
Ken Nicholson	AMRPE	H.B. 5		X
Jerry Noble Stevens	PERD	H.B. 5		X
David Senn	Teachers Retirement Board	H.B. 5		X
Dennis Burr	Montana	H.B. 4	✓	